

HOUSE BILL NO. 4004

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FOURTH SPECIAL SESSION

BY REPRESENTATIVE TARR

Introduced: 10/4/21

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the oil and gas production tax; and providing for an effective date."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * **Section 1.** AS 43.55.011(e) is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each calendar year from each lease or property in the state, less any oil and
6 gas the ownership or right to which is exempt from taxation or constitutes a
7 landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as
8 otherwise provided under (f), (j), (k), (o), [AND] (p), and (q) of this section, for oil
9 and gas produced

10 (1) before January 1, 2014, the tax is equal to the sum of

11 (A) the annual production tax value of the taxable oil and gas
12 as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

13 (B) the sum, over all months of the calendar year, of the tax
14 amounts determined under (g) of this section;

15 (2) on and after January 1, 2014, and before January 1, 2022, the tax is

1 equal to the annual production tax value of the taxable oil and gas as calculated under
2 AS 43.55.160(a)(1) multiplied by 35 percent;

3 (3) on and after January 1, 2022, the tax for

4 (A) oil is equal to the annual production tax value of the
5 taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;

6 (B) gas is equal to 13 percent of the gross value at the point of
7 production of the taxable gas; if the gross value at the point of production of
8 gas produced from a lease or property is less than zero, that gross value at the
9 point of production is considered zero for purposes of this subparagraph.

10 * **Sec. 2.** AS 43.55.011(f) is amended to read:

11 (f) The levy of tax under (e) of this section for

12 (1) oil and gas produced before January 1, 2022, from leases or
13 properties that include land north of 68 degrees North latitude, other than gas subject
14 to (o) of this section, may not be less than

15 (A) four percent of the gross value at the point of production
16 when the average price per barrel for Alaska North Slope crude oil for sale on
17 the United States West Coast during the calendar year for which the tax is due
18 is more than \$25;

19 (B) three percent of the gross value at the point of production
20 when the average price per barrel for Alaska North Slope crude oil for sale on
21 the United States West Coast during the calendar year for which the tax is due
22 is over \$20 but not over \$25;

23 (C) two percent of the gross value at the point of production
24 when the average price per barrel for Alaska North Slope crude oil for sale on
25 the United States West Coast during the calendar year for which the tax is due
26 is over \$17.50 but not over \$20;

27 (D) one percent of the gross value at the point of production
28 when the average price per barrel for Alaska North Slope crude oil for sale on
29 the United States West Coast during the calendar year for which the tax is due
30 is over \$15 but not over \$17.50; or

31 (E) zero percent of the gross value at the point of production

1 when the average price per barrel for Alaska North Slope crude oil for sale on
 2 the United States West Coast during the calendar year for which the tax is due
 3 is \$15 or less; and

4 (2) oil produced on and after January 1, 2022, and before
 5 January 1, 2024, from leases or properties that include land north of 68 degrees
 6 North latitude, is six percent of the gross value at the point of production; and

7 (3) oil produced on and after January 1, 2024 [January 1, 2022], from
 8 leases or properties that include land north of 68 degrees North latitude, may not be
 9 less than

10 (A) four percent of the gross value at the point of production
 11 when the average price per barrel for Alaska North Slope crude oil for sale on
 12 the United States West Coast during the calendar year for which the tax is due
 13 is more than \$25;

14 (B) three percent of the gross value at the point of production
 15 when the average price per barrel for Alaska North Slope crude oil for sale on
 16 the United States West Coast during the calendar year for which the tax is due
 17 is over \$20 but not over \$25;

18 (C) two percent of the gross value at the point of production
 19 when the average price per barrel for Alaska North Slope crude oil for sale on
 20 the United States West Coast during the calendar year for which the tax is due
 21 is over \$17.50 but not over \$20;

22 (D) one percent of the gross value at the point of production
 23 when the average price per barrel for Alaska North Slope crude oil for sale on
 24 the United States West Coast during the calendar year for which the tax is due
 25 is over \$15 but not over \$17.50; or

26 (E) zero percent of the gross value at the point of production
 27 when the average price per barrel for Alaska North Slope crude oil for sale on
 28 the United States West Coast during the calendar year for which the tax is due
 29 is \$15 or less.

30 * **Sec. 3.** AS 43.55.011 is amended by adding a new subsection to read:

31 (q) Notwithstanding the relevant provisions of this section, the tax on oil

1 produced from leases or properties that include land north of 68 degrees North latitude
 2 under (e)(3)(A) of this section is suspended for a period beginning January 1, 2022,
 3 and ending January 1, 2024. For the period the tax under (e)(3)(A) of this section is
 4 suspended for a producer, the minimum tax under (f) of this section will instead apply.
 5 For purposes of calculating an installment payment under AS 43.55.020 for the time
 6 the tax under (e)(3)(A) of this section is suspended under this subsection, a producer
 7 shall pay tax at the rate set out in (f)(2) of this section. For the purposes of the tax
 8 credits under AS 43.55.024 and 43.55.025, a producer may calculate its tax under
 9 (e)(3)(A) of this section, but tax is not due under (e)(3)(A) of this section.

10 * **Sec. 4.** AS 43.55.020(a) is amended to read:

11 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
 12 the tax as follows:

13 (1) for oil and gas produced before January 1, 2014, an installment
 14 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 15 as allowed by law, is due for each month of the calendar year on the last day of the
 16 following month; except as otherwise provided under (2) of this subsection, the
 17 amount of the installment payment is the sum of the following amounts, less 1/12 of
 18 the tax credits that are allowed by law to be applied against the tax levied by
 19 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
 20 not be less than zero:

21 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
 22 produced from leases or properties in the state outside the Cook Inlet
 23 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
 24 the greater of

25 (i) zero; or

26 (ii) the sum of 25 percent and the tax rate calculated for
 27 the month under AS 43.55.011(g) multiplied by the remainder obtained
 28 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 29 calendar year of production under AS 43.55.165 and 43.55.170 that are
 30 deductible for the oil and gas under AS 43.55.160 from the gross value
 31 at the point of production of the oil and gas produced from the leases or

1 properties during the month for which the installment payment is
2 calculated;

3 (B) for oil and gas produced from leases or properties subject
4 to AS 43.55.011(f), the greatest of

5 (i) zero;

6 (ii) zero percent, one percent, two percent, three
7 percent, or four percent, as applicable, of the gross value at the point of
8 production of the oil and gas produced from the leases or properties
9 during the month for which the installment payment is calculated; or

10 (iii) the sum of 25 percent and the tax rate calculated for
11 the month under AS 43.55.011(g) multiplied by the remainder obtained
12 by subtracting 1/12 of the producer's adjusted lease expenditures for the
13 calendar year of production under AS 43.55.165 and 43.55.170 that are
14 deductible for the oil and gas under AS 43.55.160 from the gross value
15 at the point of production of the oil and gas produced from those leases
16 or properties during the month for which the installment payment is
17 calculated;

18 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
19 each lease or property, the greater of

20 (i) zero; or

21 (ii) the sum of 25 percent and the tax rate calculated for
22 the month under AS 43.55.011(g) multiplied by the remainder obtained
23 by subtracting 1/12 of the producer's adjusted lease expenditures for the
24 calendar year of production under AS 43.55.165 and 43.55.170 that are
25 deductible under AS 43.55.160 for the oil or gas, respectively,
26 produced from the lease or property from the gross value at the point of
27 production of the oil or gas, respectively, produced from the lease or
28 property during the month for which the installment payment is
29 calculated;

30 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

31 (i) the sum of 25 percent and the tax rate calculated for

1 the month under AS 43.55.011(g) multiplied by the remainder obtained
 2 by subtracting 1/12 of the producer's adjusted lease expenditures for the
 3 calendar year of production under AS 43.55.165 and 43.55.170 that are
 4 deductible for the oil and gas under AS 43.55.160 from the gross value
 5 at the point of production of the oil and gas produced from the leases or
 6 properties during the month for which the installment payment is
 7 calculated, but not less than zero; or

8 (ii) four percent of the gross value at the point of
 9 production of the oil and gas produced from the leases or properties
 10 during the month, but not less than zero;

11 (2) an amount calculated under (1)(C) of this subsection for oil or gas
 12 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
 13 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
 14 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in
 15 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 16 gas produced during the month for the amount of taxable gas produced during the
 17 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
 18 during the month for the amount of taxable oil produced during the calendar year;

19 (3) an installment payment of the estimated tax levied by
 20 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
 21 on the last day of the following month; the amount of the installment payment is the
 22 sum of

23 (A) the applicable tax rate for oil provided under
 24 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 25 oil taxable under AS 43.55.011(i) and produced from the lease or property
 26 during the month; and

27 (B) the applicable tax rate for gas provided under
 28 AS 43.55.011(i), multiplied by the gross value at the point of production of the
 29 gas taxable under AS 43.55.011(i) and produced from the lease or property
 30 during the month;

31 (4) any amount of tax levied by AS 43.55.011, net of any credits

1 applied as allowed by law, that exceeds the total of the amounts due as installment
2 payments of estimated tax is due on March 31 of the year following the calendar year
3 of production;

4 (5) for oil and gas produced on and after January 1, 2014, and before
5 January 1, 2022, an installment payment of the estimated tax levied by
6 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
7 month of the calendar year on the last day of the following month; except as otherwise
8 provided under (6) of this subsection, the amount of the installment payment is the
9 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
10 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
11 of the installment payment may not be less than zero:

12 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
13 produced from leases or properties in the state outside the Cook Inlet
14 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
15 the greater of

16 (i) zero; or

17 (ii) 35 percent multiplied by the remainder obtained by
18 subtracting 1/12 of the producer's adjusted lease expenditures for the
19 calendar year of production under AS 43.55.165 and 43.55.170 that are
20 deductible for the oil and gas under AS 43.55.160 from the gross value
21 at the point of production of the oil and gas produced from the leases or
22 properties during the month for which the installment payment is
23 calculated;

24 (B) for oil and gas produced from leases or properties subject
25 to AS 43.55.011(f), the greatest of

26 (i) zero;

27 (ii) zero percent, one percent, two percent, three
28 percent, or four percent, as applicable, of the gross value at the point of
29 production of the oil and gas produced from the leases or properties
30 during the month for which the installment payment is calculated; or

31 (iii) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the
2 calendar year of production under AS 43.55.165 and 43.55.170 that are
3 deductible for the oil and gas under AS 43.55.160 from the gross value
4 at the point of production of the oil and gas produced from those leases
5 or properties during the month for which the installment payment is
6 calculated, except that, for the purposes of this calculation, a reduction
7 from the gross value at the point of production may apply for oil and
8 gas subject to AS 43.55.160(f) or (g);

9 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
10 each lease or property, the greater of

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained by
13 subtracting 1/12 of the producer's adjusted lease expenditures for the
14 calendar year of production under AS 43.55.165 and 43.55.170 that are
15 deductible under AS 43.55.160 for the oil or gas, respectively,
16 produced from the lease or property from the gross value at the point of
17 production of the oil or gas, respectively, produced from the lease or
18 property during the month for which the installment payment is
19 calculated;

20 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

21 (i) 35 percent multiplied by the remainder obtained by
22 subtracting 1/12 of the producer's adjusted lease expenditures for the
23 calendar year of production under AS 43.55.165 and 43.55.170 that are
24 deductible for the oil and gas under AS 43.55.160 from the gross value
25 at the point of production of the oil and gas produced from the leases or
26 properties during the month for which the installment payment is
27 calculated, but not less than zero; or

28 (ii) four percent of the gross value at the point of
29 production of the oil and gas produced from the leases or properties
30 during the month, but not less than zero;

31 (6) an amount calculated under (5)(C) of this subsection for oil or gas

1 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
 2 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
 3 applicable, for gas or set out in AS 43.55.011(k) for oil, but substituting in
 4 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 5 gas produced during the month for the amount of taxable gas produced during the
 6 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
 7 during the month for the amount of taxable oil produced during the calendar year;

8 (7) for oil and gas produced on or after January 1, 2022, an installment
 9 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
 10 as allowed by law, is due for each month of the calendar year on the last day of the
 11 following month; except as otherwise provided under (10) of this subsection, the
 12 amount of the installment payment is the sum of the following amounts, less 1/12 of
 13 the tax credits that are allowed by law to be applied against the tax levied by
 14 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
 15 not be less than zero:

16 (A) for oil produced from leases or properties subject to
 17 AS 43.55.011(f), the greatest of

18 (i) zero;

19 (ii) **the** [ZERO PERCENT, ONE PERCENT, TWO
 20 PERCENT, THREE PERCENT, OR FOUR PERCENT, AS]
 21 applicable **percentage under AS 43.55.011(f)** [,] of the gross value at
 22 the point of production of the oil produced from the leases or properties
 23 during the month for which the installment payment is calculated; or

24 (iii) 35 percent multiplied by the remainder obtained by
 25 subtracting 1/12 of the producer's adjusted lease expenditures for the
 26 calendar year of production under AS 43.55.165 and 43.55.170 that are
 27 deductible for the oil under AS 43.55.160(h)(1) from the gross value at
 28 the point of production of the oil produced from those leases or
 29 properties during the month for which the installment payment is
 30 calculated, except that, for the purposes of this calculation, a reduction
 31 from the gross value at the point of production may apply for oil

1 subject to AS 43.55.160(f) or 43.55.160(f) and (g);

2 (B) for oil produced before or during the last calendar year
3 under AS 43.55.024(b) for which the producer could take a tax credit under
4 AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet
5 sedimentary basin, no part of which is north of 68 degrees North latitude, other
6 than leases or properties subject to AS 43.55.011(o) or (p), the greater of

7 (i) zero; or

8 (ii) 35 percent multiplied by the remainder obtained by
9 subtracting 1/12 of the producer's adjusted lease expenditures for the
10 calendar year of production under AS 43.55.165 and 43.55.170 that are
11 deductible for the oil under AS 43.55.160(h)(2) from the gross value at
12 the point of production of the oil produced from the leases or properties
13 during the month for which the installment payment is calculated;

14 (C) for oil and gas produced from leases or properties subject
15 to AS 43.55.011(p), except as otherwise provided under (8) of this subsection,
16 the sum of

17 (i) 35 percent multiplied by the remainder obtained by
18 subtracting 1/12 of the producer's adjusted lease expenditures for the
19 calendar year of production under AS 43.55.165 and 43.55.170 that are
20 deductible for the oil under AS 43.55.160(h)(3) from the gross value at
21 the point of production of the oil produced from the leases or properties
22 during the month for which the installment payment is calculated, but
23 not less than zero; and

24 (ii) 13 percent of the gross value at the point of
25 production of the gas produced from the leases or properties during the
26 month, but not less than zero;

27 (D) for oil produced from leases or properties in the state, no
28 part of which is north of 68 degrees North latitude, other than leases or
29 properties subject to (B), (C), or (F) of this paragraph, the greater of

30 (i) zero; or

31 (ii) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the
 2 calendar year of production under AS 43.55.165 and 43.55.170 that are
 3 deductible for the oil under AS 43.55.160(h)(4) from the gross value at
 4 the point of production of the oil produced from the leases or properties
 5 during the month for which the installment payment is calculated;

6 (E) for gas produced from each lease or property in the state
 7 outside the Cook Inlet sedimentary basin, other than a lease or property subject
 8 to AS 43.55.011(o) or (p), 13 percent of the gross value at the point of
 9 production of the gas produced from the lease or property during the month for
 10 which the installment payment is calculated, but not less than zero;

11 (F) for oil subject to AS 43.55.011(k), for each lease or
 12 property, the greater of

13 (i) zero; or

14 (ii) 35 percent multiplied by the remainder obtained by
 15 subtracting 1/12 of the producer's adjusted lease expenditures for the
 16 calendar year of production under AS 43.55.165 and 43.55.170 that are
 17 deductible under AS 43.55.160 for the oil produced from the lease or
 18 property from the gross value at the point of production of the oil
 19 produced from the lease or property during the month for which the
 20 installment payment is calculated;

21 (G) for gas subject to AS 43.55.011(j) or (o), for each lease or
 22 property, the greater of

23 (i) zero; or

24 (ii) 13 percent of the gross value at the point of
 25 production of the gas produced from the lease or property during the
 26 month for which the installment payment is calculated;

27 (8) an amount calculated under (7)(C) of this subsection may not
 28 exceed four percent of the gross value at the point of production of the oil and gas
 29 produced from leases or properties subject to AS 43.55.011(p) during the month for
 30 which the installment payment is calculated;

31 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and

1 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point
 2 of production is determined under AS 43.55.011(f) [AS 43.55.011(f)(1) OR (2)] but
 3 substituting the phrase "month for which the installment payment is calculated" in
 4 AS 43.55.011(f) [AS 43.55.011(f)(1) AND (2)] for the phrase "calendar year for
 5 which the tax is due";

6 (10) an amount calculated under (7)(F) or (G) of this subsection for oil
 7 or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
 8 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
 9 applicable, for gas, or set out in AS 43.55.011(k) for oil, but substituting in
 10 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 11 gas produced during the month for the amount of taxable gas produced during the
 12 calendar year and substituting in AS 43.55.011(k) the amount of taxable oil produced
 13 during the month for the amount of taxable oil produced during the calendar year.

14 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
 15 read:

16 REGULATIONS. The Department of Revenue may adopt regulations under
 17 AS 43.05.080 necessary to implement the changes made by this Act. The regulations take
 18 effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
 19 law implemented by the regulation.

20 * **Sec. 6.** Section 5 of this Act takes effect immediately under AS 01.10.070(c).

21 * **Sec. 7.** Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2022.